

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**

**Project Staff Report**

**Tax-Exempt Bond Project**

**April 14, 2020**

Veterans Square, located at 901 Los Medanos Street and 295 E. 10th Street in Pittsburg, requested and is being recommended for a reservation of \$788,730 in annual federal tax credits and \$2,019,994 in total state tax credits to finance the new construction of 29 units of housing serving tenants with rents affordable to households earning 20% - 50% of area median income (AMI). The project will be developed by Satellite Affordable Housing Associates and will be located in Senate District 7 and Assembly District 14.

The project will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers and HUD VASH Project-based Vouchers. The project financing includes state funding from the NPLH loan and COSR, and MHP program(s) of HCD.

**Project Number** CA-20-490

**Project Name** Veterans Square  
**Site Address:** 901 Los Medanos Street, 295 E. 10th Street  
Pittsburg, CA 94565 County: Contra Costa  
**Census Tract:** 3100.00

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total *</b>
Requested:	\$788,730	\$2,019,994
Recommended:	\$788,730	\$2,019,994

\* The applicant made an election to sell (Certificate) all or any portion of the state credits.

**Applicant Information**

**Applicant:** Satellite Affordable Housing Associates  
**Contact:** Evelyn Perdomo  
**Address:** 1835 Alcatraz Avenue  
Berkeley, CA 94703  
**Phone:** 510-809-2733  
**Email:** eperdomo@sahahomes.org

**General Partner(s) or Principal Owner(s):** Satellite AHA Deveopment Inc.  
**General Partner Type:** Nonprofit  
**Parent Company(ies):** Satellite Affordable Housing Associates  
**Developer:** Satellite Affordable Housing Associates  
**Investor/Consultant:** California Housing Partnership Corporation  
**Management Agent:** Satellite Affordable Housing Associates PM

**Project Information**

Construction Type: New Construction  
 Total # Residential Buildings: 1  
 Total # of Units: 30  
 No. / % of Low Income Units: 29 100.00%  
 Federal Set-Aside Elected: 40%/60%  
 Federal Subsidy: Tax-Exempt / HUD Section 8 Project-based Vouchers 10 Units - 34%) / HUD VASH Project-based Vouchers (19 Units - 66%) / HOME / CDBG

**Bond Information**

Issuer: Contra Costa County  
 Expected Date of Issuance: July 1, 2020

**Information**

Housing Type: Non-Targeted  
 Geographic Area: East Bay Region  
 TCAC Project Analyst: Jonghyun Shim

**55-Year Use / Affordability**

<b>Aggregate Targeting Number of Units</b>	<b>Percentage of Affordable Units</b>
20% AMI: 3	10%
30% AMI: 16	55%
40% AMI: 5	17%
50% AMI: 5	17%

**Unit Mix**

28 1-Bedroom Units  
 2 2-Bedroom Units  


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 30 Total Units

<b>Unit Type &amp; Number</b>	<b>2019 Rents Targeted % of Area Median Income</b>	<b>2019 Rents Actual % of Area Median Income</b>	<b>Proposed Rent (including utilities)</b>
3 1 Bedroom	20%	20%	\$465
7 1 Bedroom	30%	30%	\$697
8 1 Bedroom	30%	30%	\$697
1 2 Bedrooms	30%	30%	\$837
5 1 Bedroom	40%	40%	\$930
5 1 Bedroom	50%	50%	\$1,157
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

**Project Cost Summary at Application**

Land and Acquisition	\$329,394
Construction Costs	\$11,994,351
Rehabilitation Costs	\$0
Construction Hard Cost Contingency	\$1,174,363
Soft Cost Contingency	\$228,147
Relocation	\$0
Architectural/Engineering	\$1,118,265
Const. Interest, Perm. Financing	\$1,340,691
Legal Fees	\$165,000
Reserves	\$2,246,064
Other Costs	\$1,653,837
Developer Fee	\$2,227,297
Commercial Costs	\$0
<b>Total</b>	<b>\$22,477,409</b>

**Residential**

Construction Cost Per Square Foot:	\$413
Per Unit Cost:	\$749,247
True Cash Per Unit Cost*:	\$720,625

**Construction Financing**

Source	Amount
Chase Bank - Tax Exempt	\$11,434,610
Contra Costa County - HOME	\$2,200,400
City of Pittsburg - CDBG	\$101,541
Impact Fee Waiver	\$131,359
Deferred Interest	\$60,542
Deferred Costs	\$3,771,629
Deferred Developer Fee	\$727,296
Tax Credit Equity	\$4,050,032

**Permanent Financing**

Source	Amount
Chase Bank - Tax Exempt	\$1,102,000
HCD - MHP	\$4,427,653
No Place Like Home	\$1,804,920
No Place Like Home - COSR	\$1,804,920
City of Pittsburg Housing Authority	\$780,000
City of Pittsburg - CDBG	\$101,541
Contra Costa County - HOME	\$2,200,400
Impact Fee Waiver	\$131,359
Deferred Interest	\$60,542
Deferred Developer Fee	\$727,296
Tax Credit Equity	\$9,336,778
<b>TOTAL</b>	<b>\$22,477,409</b>

\*Less Fee Waivers, Seller Carryback Loans, and Deferred Developer Fee

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$18,725,788
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$24,343,524
Applicable Rate:	3.24%
Total Maximum Annual Federal Credit:	\$788,730
Total State Credit:	\$2,019,994
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,227,297
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	\$0.96608
State Tax Credit Factor:	\$0.85000

Except as allowed for projects basing cost on assumed third party debt, the “as if vacant” land value and the existing improvement value established at application for all projects, as well as the eligible basis amount derived from those values, shall not increase during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits. The sum of the third party debt encumbering the property may increase during subsequent reviews to reflect the actual amount.

**Eligible Basis and Basis Limit**

Requested Unadjusted Eligible Basis:	\$18,725,788
Actual Eligible Basis:	\$18,725,788
Unadjusted Threshold Basis Limit:	\$10,972,268
Total Adjusted Threshold Basis Limit:	\$34,657,892

**Adjustments to Basis Limit**

Required to Pay State or Federal Prevailing Wages/Financed by labor-affiliated organization employing construction workers paid at least state or federal prevailing wages

Local Development Impact Fees

95% of Upper Floor Units are Elevator-Serviced

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income and Market Rate Units are Income Targeted between 50% AMI & 36% AMI: 37%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income and Market Rate Units are Income Targeted at 35% AMI or Below: 140%

**Cost Analysis and Line Item Review**

Staff analysis of project costs to determine reasonableness found all fees to be within TCAC’s underwriting guidelines and TCAC limitations. Annual operating expenses exceed the minimum operating expenses established in the Regulations, and the project pro forma shows a positive cash flow from year one. Staff has calculated federal tax credits based on 3.24% of the qualified basis. Applicants are cautioned to consider the expected federal rate when negotiating with investors. TCAC's financial evaluation at project completion will determine the final allocation.

**Significant Information / Additional Conditions**

Staff noted a per unit development cost of \$720,625. The applicant noted that the high per unit cost is prevailing wages, relatively small project with only 30 units, and elevator access to all floors. The Contractors and subcontractors that will be doing this work are part of the San Francisco market, which, is the most expensive construction market in the world, having risen 5% in just one year. In addition, the project is designed to Green Pointed Rated GOLD standards and uses a comprehensive array of environmentally sustainable feature, which results in higher up-front cost, but result in long-term cost efficiencies.

**Resyndication and Resyndication Transfer Event: None****Standard Conditions**

If applicant is receiving tax-exempt bond financing from other than CalHFA, the applicant shall apply for a bond allocation from the California Debt Limit Allocation Committee's next scheduled meeting, if not previously granted an allocation; shall have received an allocation from CDLAC; and, shall issue bonds within time limits specified by CDLAC.

The applicant anticipates financing more than 50% of the project aggregate basis with tax-exempt bond proceeds as calculated by the project tax professional. Therefore, the federal credit reserved for this project will not count against the annual ceiling.

State tax credit recipients are limited to cash distributions from project operations pursuant to California Revenue and Taxation Code Section 12206(d). By accepting the tax credit reservation, the applicant/owner is agreeing to comply with the statutory limitations and requirements.

TCAC makes the preliminary reservation only for the project specified above in the form presented, and involving the parties referred to in the application. No changes in the development team or the project as presented will be permitted without the express approval of TCAC.

The applicant must pay TCAC a reservation fee calculated in accordance with regulation. Additionally, TCAC requires the project owner to pay a monitoring fee before issuance of tax forms.

As project costs are preliminary estimates only, staff recommends that a reservation be made in the amount of federal credit and state credit shown above on condition that the final project costs be supported by itemized lender approved costs and certified costs after the buildings are placed in service.

All unexpended funds in reserve accounts established for the project must remain with the project to be used for the benefit of the property and/or its residents, except for the portion of any accounts funded with deferred developer fees.

All fees charged to the project must be within TCAC limitations. Fees in excess of these limitations will not be considered when determining the amount of credit when the project is placed-in-service.

The applicant/owner shall be subject to underwriting criteria set forth in Section 10327 of the regulations through the final feasibility analysis performed by TCAC at placed-in-service.

Credit awards are contingent upon applicant's acceptance of any revised total project cost, qualified basis and tax credit amount determined by TCAC in its final feasibility analysis.

**CDLAC Additional Conditions**

The applicant/owner is required to comply with the CDLAC Resolution. At the time of the TCAC placed in service review, TCAC staff will verify that the project is in compliance with all applicable items of CDLAC Resolution Exhibit A.